



Legislative Fiscal Bureau

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February 17, 2020

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: January 2020 Special Session Assembly Bill 7: Dairy Processor Grants

January 2020 Special Session Assembly Bill 7 would provide additional funding for dairy processor grants. SS AB 7 was introduced on February 7, 2020, and referred to the Assembly Committee on Agriculture. On February 10, 2020, Assembly Amendment 1 was introduced. On February 11, 2020, the Committee held a public hearing, recommended adoption of Assembly Amendment 1 on a vote of 15-0, and recommended the bill for passage as amended on a vote of 15-0.

BACKGROUND AND CURRENT LAW

Dairy processor grants provide funding to projects at dairy processing plants that, among other goals, grow the processing plant, contribute to processor innovation, or improve production and profitability. Eligible projects may include plant modernization and expansion, food safety improvements, staff training, and hiring of professional consultants. Grants are provided on a reimbursement basis, and recipients must provide a match of at least 20%.

DATCP reports that grant awards after the program's creation under 2013 Wisconsin Act 20 were commonly associated with food safety and quality assurance improvements, to comply with the federal Food Safety Modernization Act of 2011. Over time, recipient projects have shifted towards innovation and new processes. The table provides a summary of grant awards since 2013-14. The attachment provides a listing of grant recipients, including their name, award amount, and county. DATCP reports it is in the process of reviewing 25 grant requests totaling approximately \$1,000,000 for the 2019-20 grant round. DATCP is expected to announce 2019-20 grant recipients in April, 2020.

Dairy Processor Grants -- Application and Award Summary

<u>Year</u>	<u>Applications</u>	<u>Requested Amounts</u>	<u>Recipients</u>	<u>Awards</u>	<u>Food Safety</u>	<u>Modernization/ Expansion</u>	<u>Innovation</u>
2014	22	\$754,733	7	\$200,000	4.0	2.0	1.0
2015/16*	11	351,733	6	200,000	2.0	3.0	1.0
2017	14	678,304	8	200,000	2.0	4.0	2.0
2018	14	611,908	9	200,000	1.0	6.0	2.0
2019	<u>14</u>	<u>426,638</u>	<u>10</u>	<u>200,000</u>	<u>0.5</u>	<u>4.0</u>	<u>5.5</u>
Total	75	\$2,823,316	40	\$1,000,000	9.5	19.0	11.5

*DATCP conducted one grant round for both of 2015 and 2016.

Dairy processor grants have been provided \$200,000 GPR annually since their creation under 2013 Act 20, the biennial budget act. Changes to the program were last considered as part of the Governor's 2019-21 biennial budget recommendations when an increase of \$200,000 each year was proposed, along with the requirement that DATCP give preference to small processors. No action was taken on dairy processor grants under Act 9.

SUMMARY OF BILL

SS AB 7 would provide an additional \$600,000 GPR annually beginning in 2019-20 for dairy processor grants, for a total of \$800,000 each year. Further, the bill would require that DATCP give preference to persons operating small processing plants, although the bill does not define "small." When this proposal was considered during the 2019-21 biennial budget, DATCP suggested a definition of small could be based upon annual sales, with categories as follows: (a) micro/start-up processor: \$0 to \$150,000 in annual sales; (b) small processor: \$150,000 to \$1,500,000 in annual sales; (c) medium processor: \$1,500,000 to \$15,000,000 in annual sales; and (d) large processor: \$15,000,000 or more in annual sales. DATCP has not collected data from previous grant recipients on the size of their operations, but staff estimate past recipients generally reflect an even distribution of these categories.

ASSEMBLY AMENDMENT 1

Assembly Amendment 1 (AA 1) would specify that grant preference be given to small processing plants that produce no more than 50 million pounds of processed product per year. DATCP reports it does not have data on processor plant size, but estimates a majority of processor plants would be considered small under AA 1. However, AA 1 would not preclude prospective grantees from applying for funding if their annual production exceeded 50 million pounds.

FISCAL EFFECT

The bill would provide an additional \$600,000 GPR annually for dairy processor grants

beginning in 2019-20. DATCP reports that while it is unable to anticipate grant demand, it expects current staff would be insufficient to administer the proposed funding level.

Prepared by: Rory Tikalsky
Attachment

ATTACHMENT

Dairy Processor Grant Awards, 2014-2019

<u>Calendar Year</u>	<u>Recipient</u>	<u>County</u>	<u>Amount</u>	<u>Category</u>
2014	Dairyvative Technologies, LLC	Green Lake	\$50,000	Innovation
2014	Cedar Valley Cheese, Inc.	Ozaukee	37,500	Modernization/Expansion
2014	MBP Company LLC d/b/a Marron Foods	Pepin	37,000	Food Safety
2014	Specialty Cheese Company, Inc.	Marathon	26,500	Modernization/Expansion
2014	Shullsburg Creamery II, LLC	Lafayette	22,000	Food Safety
2014	Taylor Cheese	Waupaca	13,500	Food Safety
2014	Harmony Specialty Dairy Foods	Marathon	13,500	Food Safety
2015/2016*	Carr Valley Cheese	Juneau	50,000	Food Safety
2015/2016*	Widmer's Cheese Cellars Inc.	Dodge	50,000	Modernization/Expansion
2015/2016*	Ponderosa Dairy Products	Kewaunee	40,000	Food Safety
2015/2016*	Saputo Cheese USA, Inc.	Barron	40,000	Modernization/Expansion
2015/2016*	Henning Cheese	Manitowoc	13,305	Modernization/Expansion
2015/2016*	Brunkow Cheese	Lafayette	6,695	Innovation
2017	Edelweiss Creamery, LLC	Green	37,500	Modernization/Expansion
2017	Muscoda Protein Products LLP	Grant	35,000	Modernization/Expansion
2017	Swiss Heritage Cheese, Inc.	Green	25,000	Food Safety
2017	Associated Milk Producers Inc.	Trempealeau	25,000	Innovation
2017	Emmi Roth USA, Inc.	Dane	25,000	Modernization/Expansion
2017	Foremost Farms USA Cooperative	Sauk	25,000	Modernization/Expansion
2017	North Hendren Co-operative Dairy Company	Clark	15,000	Food Safety
2017	Yodelay Yogurt, LLC	Dane	12,500	Innovation
2018	Barron County Cheese LLC	Barron	33,000	Innovation
2018	Carr Valley Cheese Company, Inc.	Juneau	33,000	Modernization/Expansion
2018	Safety Fresh Foods LLC.	Milwaukee	25,000	Innovation
2018	Specialty Cheese Company, Inc.	Marathon	20,000	Modernization/Expansion
2018	Yodelay Yogurt, LLC	Dane	20,000	Modernization/Expansion
2018	Kemps LLC	Ozaukee	19,000	Food Safety
2018	Burnett Dairy Cooperative	Burnett	18,000	Modernization/Expansion
2018	Landmark Creamery, LLC	Dane	17,000	Modernization/Expansion
2018	North Hendron Cooperative Dairy	Clark	15,000	Modernization/Expansion
2019	Nasonville Dairy, Inc.	Wood	42,000	Food Safety and Modernization/Expansion
2019	Cooperative Regions of Organic Producer Pools (CROPP - Organic Valley)	Vernon	28,569	Innovation
2019	Widmer's Cheese Cellars	Dodge	27,500	Innovation
2019	Sassy Cow Creamery	Columbia	20,000	Innovation
2019	Chalet Cheese Cooperative	Green	20,000	Modernization/Expansion
2019	Westby Coop Creamery	Vernon	15,000	Innovation
2019	Specialty Cheese Company, Inc.	Marathon	15,000	Modernization/Expansion
2019	Rosewood Dairy, Inc.	Kewaunee	15,000	Modernization/Expansion
2019	Eckerman Sheep Company/Phlox Farms	Langlade	11,931	Modernization/Expansion
2019	Bifrost Farms Creamery LLC	Dunn	5,000	Modernization/Expansion

* DATCP conducted one grant round for both of 2015 and 2016.